



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 5/31/2006

GAIN Report Number: MY6018

Malaysia

Oilseeds and Products

Update (May)

2006

Approved by:

Jonathan Gressel

U.S. Embassy, Kuala Lumpur

Prepared by:

Raymond Hoh

Report Highlights:

Malaysia's crude palm oil (CPO) production rose 5.4% to 1.3 MMT in April 2006 as the palms entered the seasonal uptrend period. Carry-over stock level at the end of April declined to 1.5 MMT, reflecting stronger overseas demand and an increase in domestic disappearance. Palm oil exports rose 5% to 1.2 MMT in April. The average local CPO price rose from RM1,396/MT in April to RM1,424/MT in May, 2006 but is expected to increase further in the near term due to stronger overseas demand, especially from India and China. On May 25 2006, Malaysia and Indonesia signed a Memorandum of Understanding (MOU) to avoid price undercutting.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Kuala Lumpur [MY1]
[MY]

Table of Contents

Executive Summary 3

Annual Situation 4

Quarterly Outlook for Palm Oil 5

Production 6

Prices 7

Stock 8

Executive Summary

Production

The Malaysian Palm Oil Board (MPOB) reported that total crude palm oil (CPO) production rose 5.4% to 1.3 MMT in April 2006. While output in the Peninsula Malaysia increased by 8.7%, East Malaysia's production rose just 1.1%. Compared to April 2005, output during April 2006 was 5% higher. CPO output is entering the seasonal uptrend in the coming months. The palms are also slowly recovering the biological stress experienced during the Oct 05 – Feb 06 period. Post expects CPO output to increase to 3.9 MMT in the April-June quarter.

Price

Strong overseas demand during late April and early May boosted local CPO prices during the first week of May. However, prices weakened along with softer overseas demand during the latter part of May. Overall, the monthly average CPO price still managed to show an increase from RM1,396/MT in April to RM4,424/MT in May 2006. For comparison, the average CPO price for May 2005 was RM1,410/MT. The Refined/Bleached/Deodorized (RBD) Palm Oil FOB average price also rose from US\$402/MT in April to US\$416/MT in May. CPO prices are expected to rise in anticipation of demand outstripping supply in the next quarter.

Stocks

Despite the higher CPO output, stronger overseas demand and an increase in domestic disappearance contributed to a decline in carry-out stocks to 1.5 MMT at the end of April. With the expected increase in overseas demand from India and China where the consumption of fried food is trending upwards as incomes rise, Post forecast carry-out stocks to decline to about 1.45 MMT by the end of April-June quarter.

Trade

Preliminary official PO exports rose 5% from 1.18 MMT in March to 1.24 MMT in April.

Other news

On May 25 2006, Malaysia and Indonesia signed a Memorandum of Understanding (MOU) to avoid price undercutting and prevent price manipulation by commodity traders. In their MOU, both sides have agreed to lay out several actions to counter countries such as India that imposes higher import duties on CPO compared to soybean oil as well as to have joint market promotion and joint research and development activities. In 2005, Malaysia and Indonesia exported 13.4 MMT and 10.3 MMT of CPO respectively.

Exchange Rate: US\$1.00 = RM3.644 (Apr 26, 2006); RM3.626 (May 26, 2006)

Annual Situation

PS&D table for palm oil remains unchanged since the submission of the Oilseed Annual Report MY6009.

	Revised 2004/05	Prelim 2005/06	Forecast 2006/07
(1,000 tons)			
Beg Stock	1,332	1,436	1,200
Production	15,194	15,250	15,900
Imports	333	500	700
Total Supply	16,859	17,186	17,800
Exports	12,634	13,000	13,420
Domestic Use	2,789	2,986	3,180
Ending Stock	1,436	1,200	1,200

Quarterly Outlook for Palm Oil

	2005 1/	2006 2/	2005 1/	2006 2/
	Jan-Mar	Jan-Mar	Apr-Jun	Apr-Jun
	(1,000 tons)			
Beg Stocks 3/	1,490	1,604	1,437	1,586
Prod- Pen. Mal	1,959	1,785	2,227	2,100
- East Mal	1,458	1,447	1,526	1,800
- Total	3,417	3,232	3,753	3,900
Imports	129	338	50	300
Total Supply	5,036	5,174	5,240	5,786
Exports 4/	3,131	3,085	3,585	3,736
Dom Disap 5/	468	503	468	600
End Stocks	1,437	1586	1,187	1450

1/ Revised;

2/ Forecast;

3/ Stocks include crude and refined for all Malaysia;

4/ Exports exclude shipments of fatty acid oil distillate
and all intra-Malaysia trade;

5/ Residual

Production

	2005	2005	2006	2006	2006
	Apr	Jan-Apr	Mar 1/	Apr	Jan-Apr
(In 1,000 MT)					
CPO:					
Pen. Malaysia	702	2,660	714	776	2,561
East Malaysia	545	2,004	529	535	1,982
- Total /1	1,247	4,664	1,243	1,311	4,543
Palm Kernel: Malaysia	338	1,276	338	352	1,231
Palm Kernel Oil: Malaysia	151	594	160	161	564
Palm Kernel Meal: Malaysia	171	679	182	181	640

1/ Revised

Prices

(Crude delivered basis; RBD Oils in Bulk, FOB Malaysia)

	Local Crude	RBD Palm Oil	RBD Olein	RBD Stearin
	RM/MT	US\$/MT	US\$/MT	US\$/MT
May 2005	1,410	389	401	355
Jun	1,398	384	395	348
July	1,408	388	398	344
Sep	1,381	385	398	330
Oct	1,452	401	413	341
Nov	1,420	388	399	341
Dec	1,382	376	387	350
Jan 2006	1,398	383	390	366
Feb	1,435	398	404	381
Mar	1,422	400	407	392
Apr 1/	1,396	402	410	391
May 2006 (till 24 th)	1,424	416	421	399

1/ Revised

Exchange Rate: US\$1.00 = RM3.644 (Apr 26, 2006); RM3.626 (May 26, 2006)

Stock

	2005	2006	2006	2006
	Apr	Feb	Mar 1/	Apr
(In 1,000 MT)				
Crude P. Oil	809	980	918	912
Processed PO	680	666	668	598
- Total PO	1,489	1,646	1,586	1,510
Palm Kernel	144	205	208	210
P. Kernel Oil	190	254	276	290

1/ Revised